
City of South Lyon, Michigan

**Financial Report
with Supplemental Information
June 30, 2022**

City of South Lyon, Michigan Financial Report June 30, 2022

Mayor Daniel L. Pelchat

City Council

Stephen Kennedy, Mayor Pro-Tem

Lisa Dilg

Alex Hansen

Glenn Kivell

Margaret Kurtzweil

Lori Mosier

City Administration

City Manager

City Clerk/Treasurer

Fire Chief

Police Chief

Finance & Benefit Administrator

Paul Zelenak

Lisa Deaton

Joey Thorington

Chris Sovik

Patricia Tiernan

Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of the Balance Sheet to the Statement of Net Position	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	14
Proprietary Fund - Water and Sewer Fund:	
Statement of Net Position	15
Statement of Revenue, Expenses, and Changes in Net Position	16
Statement of Cash Flows	17
Fiduciary Funds:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Financial Statements	20-39
Required Supplemental Information	40
Budgetary Comparison Schedule - General Fund	41
Budgetary Comparison Schedule - Major Special Revenue Fund	42
Schedule of Changes in the Net Pension Liability and Related Ratios	43
Schedule of Pension Contributions	44
Schedule of Changes in the Net OPEB Liability and Related Ratios	45
Schedule of OPEB Contributions	46
Schedule of OPEB Investment Returns	47
Notes to Required Supplemental Information	48
Other Supplemental Information	49
Nonmajor Governmental Funds:	
Combining Balance Sheet	50-51
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	52-53
Schedule of Expenditures - General Fund	54-55
Schedule of Expenditures by Activity - Major and Local Roads Funds	56
Schedule of Operating Expenses - Proprietary Fund - Water and Sewer Fund	57
Statistical Section	58
Schedule of Taxes Levied, Collected, and Returned Delinquent - 2021 Roll	59
Continuing Disclosure Undertaking	60-63

Independent Auditor's Report

To the Mayor and Members of City Council
City of South Lyon, Michigan

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of South Lyon, Michigan (the "City") as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Mayor and Members of City Council
City of South Lyon, Michigan

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the statistical section schedules but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Mayor and Members of City Council
City of South Lyon, Michigan

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Plante & Moran, PLLC

September 13, 2022

As management of the City of South Lyon, Michigan (the "City"), we offer readers this narrative overview and analysis of the financial activities for the year ended June 30, 2022.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2022:

- Revenue and other financing sources exceeded expenditures in the General Fund, thus increasing fund balance by approximately \$1,905,000. This was higher than the final amended budget, which expected an increase of approximately \$234,000.
- Total net position related to the City's governmental activities increased by approximately \$596,000.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds.

Government-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$52,711,730 at the close of the most recent fiscal year.

City of South Lyon, Michigan

Management's Discussion and Analysis (Continued)

The City's Net Position

The following table shows, in a condensed format, the net position as of June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 17,971,877	\$ 14,012,417	\$ 9,507,192	\$ 9,877,057	\$ 27,479,069	\$ 23,889,474
Capital assets	14,987,826	15,364,409	26,957,088	26,728,267	41,944,914	42,092,676
Total assets	32,959,703	29,376,826	36,464,280	36,605,324	69,423,983	65,982,150
Deferred Outflows of Resources	1,261,517	1,069,185	216,929	199,126	1,478,446	1,268,311
Liabilities						
Current liabilities	2,241,792	704,550	567,863	180,782	2,809,655	885,332
Noncurrent liabilities	6,929,803	5,852,856	6,855,762	8,059,127	13,785,565	13,911,983
Total liabilities	9,171,595	6,557,406	7,423,625	8,239,909	16,595,220	14,797,315
Deferred Inflows of Resources	1,360,631	795,647	234,848	156,029	1,595,479	951,676
Net Position						
Net investment in capital assets	14,987,826	15,322,600	21,064,709	19,735,888	36,052,535	35,058,488
Restricted	6,437,430	4,770,791	1,040,109	4,941,470	7,477,539	9,712,261
Unrestricted	2,263,738	2,999,567	6,917,918	3,731,154	9,181,656	6,730,721
Total net position	\$ 23,688,994	\$ 23,092,958	\$ 29,022,736	\$ 28,408,512	\$ 52,711,730	\$ 51,501,470

City of South Lyon, Michigan

Management's Discussion and Analysis (Continued)

The City's Changes in Net Position

The following table shows the changes in the net position during the years ended June 30, 2022 and 2021:

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue						
Program revenue:						
Charges for services	\$ 915,159	\$ 820,915	\$ 3,587,133	\$ 3,454,114	\$ 4,502,292	\$ 4,275,029
Operating grants	1,367,242	1,483,094	-	-	1,367,242	1,483,094
Capital grants	-	-	471,800	570,910	471,800	570,910
General revenue:						
Taxes	5,329,214	5,091,904	1,251,431	1,197,391	6,580,645	6,289,295
Intergovernmental	1,607,179	1,389,174	-	-	1,607,179	1,389,174
Investment earnings	6,363	5,978	3,880	5,641	10,243	11,619
Other revenue	302,531	335,499	-	-	302,531	335,499
Total revenue	9,527,688	9,126,564	5,314,244	5,228,056	14,841,932	14,354,620
Expenses						
General government	1,915,859	1,821,519	-	-	1,915,859	1,821,519
Public safety	3,767,895	3,534,031	-	-	3,767,895	3,534,031
Public works	2,751,151	2,513,547	-	-	2,751,151	2,513,547
Community and economic development	105,869	117,506	-	-	105,869	117,506
Recreation and culture	364,433	422,341	-	-	364,433	422,341
Debt service	26,445	1,433	-	-	26,445	1,433
Water and sewer	-	-	4,700,020	4,493,999	4,700,020	4,493,999
Total expenses	8,931,652	8,410,377	4,700,020	4,493,999	13,631,672	12,904,376
Change in Net Position	\$ 596,036	\$ 716,187	\$ 614,224	\$ 734,057	\$ 1,210,260	\$ 1,450,244

Governmental Activities

The City's total governmental expenses increased year over year by approximately \$521,000. The significant increase is principally due to increased costs related to professional service contract payments to SAFEBuilt for increased inspections and permit processing fees. There was a corresponding increase in revenue for building and inspection fees.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water distribution and sewage treatment to residents from the city-owned water supply and treatment facility. Expenses increased by approximately \$206,000.

Financial Analysis of Individual Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party. Uncommitted or unassigned fund balance provides further information about the resources that have not been constrained by either the City Council or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

Within these governmental funds, the General Fund is the most significant to understanding the City's financial activities. The General Fund pays for most of the City's governmental services. The most significant is the police department, which incurred expenses of approximately \$2,840,000 in 2022. Other governmental services accounted for in the General Fund include general government, the department of public works, the fire department, and recreation. In addition, the Water and Sewer Fund is a significant enterprise activity for the City.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to account for changes made necessary due to unanticipated events or situations requiring the decrease of expenditures for operational and capital expenditures. The amended budget projected an increase of approximately \$234,000 in fund balance. The actual increase of fund balance was approximately \$1,905,000. This increase is mainly related to financing received by the City to purchase a fire truck in the amount of \$1,250,000.

Total General Fund revenue was approximately \$96,000 less than the amended budget primarily due to less property tax revenue than anticipated. General Fund expenditures were approximately \$523,000 less than the amended budget. Fire expenditures, in particular, were approximately \$281,000 under budget due to less spent on capital purchases than budgeted.

Capital Assets and Debt Administration

At the end of 2022, the City had approximately \$42 million (after depreciation) invested in a broad range of capital assets, including buildings, roads, police and fire equipment, and water and sewer lines. Outstanding debt of the governmental and business-type activities totaled approximately \$7.1 million as of June 30, 2022. For additional information related to capital assets and debt, please see Notes 4 and 6, respectively.

Economic Factors and Next Year's Budgets and Rates

The City's budget for next year takes into consideration many factors anticipated to impact the budget. Among them are steadily increasing property tax income, as taxable value (in both the housing and commercial markets) is projected to increase approximately 6 percent in 2022. Over the years, the City has had the flexibility to adjust various ad valorem tax rates as necessary and as determined by Headlee, Truth in Taxation, and Proposal A. The statewide tax reform acts limit growth in taxable value to inflation or 5 percent, whichever is less.

Water and sewer sales are estimated to increase 5.6 percent due to a planned 10-year annual increase in rates. Capital expenditures on infrastructure improvements will increase over the next 10 years for new equipment and refurbishments to the water and sewer plants.

Requests for Further Information

This financial report is intended to provide a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the city manager's office.

June 30, 2022

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
Assets				
Cash and cash equivalents (Note 3)	\$ 14,899,521	\$ 7,371,357	\$ 22,270,878	\$ 104,431
Receivables:				
Customer receivables	320,689	1,086,063	1,406,752	-
Due from other governments	665,675	-	665,675	-
Internal balances	62,730	(62,730)	-	-
Prepaid expenses and other assets	389,259	72,393	461,652	-
Restricted assets (Note 1)	1,250,000	1,040,109	2,290,109	-
Investment in joint venture (Note 8)	331,003	-	331,003	-
Land held for resale	53,000	-	53,000	-
Capital assets: (Note 4)				
Assets not subject to depreciation	3,436,792	147,317	3,584,109	-
Assets subject to depreciation - Net	11,551,034	26,809,771	38,360,805	-
Total assets	32,959,703	36,464,280	69,423,983	104,431
Deferred Outflows of Resources - Deferred pension and OPEB costs (Notes 9 and 10)	1,261,517	216,929	1,478,446	-
Liabilities				
Accounts payable	555,442	530,255	1,085,697	2,236
Due to other governmental units	2,689	-	2,689	-
Cash bonds and deposits	332,138	-	332,138	-
Accrued liabilities and other	109,269	37,608	146,877	-
Unearned revenue	1,242,254	-	1,242,254	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 6)	217,100	34,300	251,400	-
Current portion of long-term debt (Note 6)	238,809	1,125,000	1,363,809	-
Due in more than one year:				
Compensated absences (Note 6)	217,064	34,338	251,402	-
Net pension liability (Note 10)	4,868,118	821,341	5,689,459	-
Net OPEB liability (Note 9)	377,521	73,404	450,925	-
Long-term debt (Note 6)	1,011,191	4,767,379	5,778,570	-
Total liabilities	9,171,595	7,423,625	16,595,220	2,236
Deferred Inflows of Resources - Deferred pension and OPEB cost reductions (Notes 9 and 10)	1,360,631	234,848	1,595,479	-
Net Position				
Net investment in capital assets	14,987,826	21,064,709	36,052,535	-
Restricted:				
Road improvements	4,408,061	-	4,408,061	-
Law enforcement	68,599	-	68,599	-
Cemetery	710,770	-	710,770	-
Capital purchase	1,250,000	-	1,250,000	-
Debt service	-	1,040,109	1,040,109	-
Unrestricted	2,263,738	6,917,918	9,181,656	102,195
Total net position	<u>\$ 23,688,994</u>	<u>\$ 29,022,736</u>	<u>\$ 52,711,730</u>	<u>\$ 102,195</u>

City of South Lyon, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,915,859	\$ 897,372	\$ -	\$ -
Public safety - Police, fire, and EMS	3,767,895	17,787	175,093	-
Community maintenance and development	2,751,151	-	1,142,137	-
Community and economic development	105,869	-	50,012	-
Recreation and culture	364,433	-	-	-
Interest on long-term debt	26,445	-	-	-
Total governmental activities	8,931,652	915,159	1,367,242	-
Business-type activities - Water and sewer	4,700,020	3,587,133	-	471,800
Total primary government	\$ 13,631,672	\$ 4,502,292	\$ 1,367,242	\$ 471,800
Component units - Downtown Development Authority	\$ 43,859	\$ -	\$ 32,659	\$ -

General revenue:
 Property taxes
 Unrestricted state-shared revenue
 Unrestricted investment income
 Cable franchise fees
 Other miscellaneous income
 Total general revenue

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended June 30, 2022

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit - Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (1,018,487)	\$ -	\$ (1,018,487)	\$ -
(3,575,015)	-	(3,575,015)	-
(1,609,014)	-	(1,609,014)	-
(55,857)	-	(55,857)	-
(364,433)	-	(364,433)	-
(26,445)	-	(26,445)	-
(6,649,251)	-	(6,649,251)	-
-	(641,087)	(641,087)	-
(6,649,251)	(641,087)	(7,290,338)	-
-	-	-	(11,200)
5,329,214	1,251,431	6,580,645	51,705
1,607,179	-	1,607,179	-
6,363	3,880	10,243	32
119,574	-	119,574	-
182,957	-	182,957	-
7,245,287	1,255,311	8,500,598	51,737
596,036	614,224	1,210,260	40,537
23,092,958	28,408,512	51,501,470	61,658
\$ 23,688,994	\$ 29,022,736	\$ 52,711,730	\$ 102,195

City of South Lyon, Michigan

Governmental Funds Balance Sheet

June 30, 2022

	General Fund	Major Road	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents (Note 3)	\$ 6,890,829	\$ 3,391,311	\$ 4,617,381	\$ 14,899,521
Receivables:				
Customer receivables	320,689	-	-	320,689
Due from other governments	465,318	122,556	77,801	665,675
Due from other funds (Note 5)	112,016	-	-	112,016
Prepaid expenses and other assets	383,311	3,863	2,085	389,259
Restricted assets held by others (Note 1)	1,250,000	-	-	1,250,000
Land held for resale	-	-	53,000	53,000
	<u>\$ 9,422,163</u>	<u>\$ 3,517,730</u>	<u>\$ 4,750,267</u>	<u>\$ 17,690,160</u>
Total assets				
Liabilities				
Accounts payable	\$ 275,148	\$ 5,608	\$ 274,686	\$ 555,442
Due to other governmental units	2,371	-	318	2,689
Due to other funds	-	11,867	37,419	49,286
Cash bonds and deposits	332,138	-	-	332,138
Accrued liabilities and other	81,827	601	601	83,029
Unearned revenue	1,242,254	-	-	1,242,254
	<u>1,933,738</u>	<u>18,076</u>	<u>313,024</u>	<u>2,264,838</u>
Total liabilities				
Deferred Inflows of Resources - Unavailable revenue	235,243	-	25,225	260,468
Fund Balances				
Nonspendable - Prepaids	383,311	3,863	2,085	389,259
Restricted:				
Roads	-	3,495,791	906,322	4,402,113
Police	-	-	68,599	68,599
Cemetery perpetual care	-	-	710,770	710,770
Capital purchase	1,250,000	-	-	1,250,000
Committed:				
Capital improvements	189,689	-	2,184,867	2,374,556
Land acquisition	-	-	132,280	132,280
Equipment replacement	-	-	432,320	432,320
Unassigned	5,430,182	-	(25,225)	5,404,957
	<u>7,253,182</u>	<u>3,499,654</u>	<u>4,412,018</u>	<u>15,164,854</u>
Total fund balances				
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,422,163</u>	<u>\$ 3,517,730</u>	<u>\$ 4,750,267</u>	<u>\$ 17,690,160</u>

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2022

Fund Balances Reported in Governmental Funds	\$ 15,164,854
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	14,987,826
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	260,468
Investments in joint ventures are not financial resources and are not reported in the funds	331,003
Debt obligations are not due and payable in the current period and are not reported in the funds	(1,250,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(26,240)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities and related deferred inflows and outflows:	
Employee compensated absences	(434,164)
Pension benefits	(4,920,711)
Retiree health care benefits	(424,042)
Net Position of Governmental Activities	<u>\$ 23,688,994</u>

City of South Lyon, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2022

	General Fund	Major Road	Nonmajor Funds	Total Governmental Funds
Revenue				
Property taxes	\$ 4,912,070	\$ -	\$ 417,144	\$ 5,329,214
Intergovernmental:				
Federal grants	175,093	-	24,787	199,880
State sources:				
State-shared revenue	1,304,537	-	-	1,304,537
Act 51 gas and weight tax	-	787,496	338,464	1,125,960
Local Community Stabilization Authority	245,073	-	-	245,073
Metro act	-	36,851	-	36,851
Local grants and contributions	9,375	16,177	-	25,552
Charges for services	89,691	-	115,825	205,516
Fines and forfeitures	17,787	-	-	17,787
Licenses and permits	819,105	-	-	819,105
Investment income	4,371	402	1,593	6,366
Other revenue	173,582	-	57,150	230,732
	7,750,684	840,926	954,963	9,546,573
Total revenue				
Expenditures				
Current services:				
General government	1,880,493	-	-	1,880,493
Public safety	3,783,939	-	13,291	3,797,230
Public works	1,059,493	394,691	328,360	1,782,544
Community and economic development	-	-	25,460	25,460
Recreation and culture	371,497	-	-	371,497
Capital outlay	-	-	412,314	412,314
Debt service	-	-	43,042	43,042
	7,095,422	394,691	822,467	8,312,580
Total expenditures				
Excess of Revenue Over Expenditures	655,262	446,235	132,496	1,233,993
Other Financing Sources (Uses)				
Transfers in	-	-	100,000	100,000
Transfers out	-	(100,000)	-	(100,000)
New debt issued	1,250,000	-	-	1,250,000
	1,250,000	(100,000)	100,000	1,250,000
Total other financing sources (uses)				
Net Change in Fund Balances	1,905,262	346,235	232,496	2,483,993
Fund Balances - Beginning of year	5,347,920	3,153,419	4,179,522	12,680,861
Fund Balances - End of year	\$ 7,253,182	\$ 3,499,654	\$ 4,412,018	\$ 15,164,854

Governmental Funds

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in
Fund Balances to the Statement of Activities**

Year Ended June 30, 2022

Net Change in Fund Balance Reported in Governmental Funds	\$ 2,483,993
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	1,198,572
Depreciation expense	(1,575,155)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	45,943
Change in investment in joint venture is not recorded in the governmental funds but is recorded in the statement of activities	(82,506)
Issuing debt and entering into leases provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position	(1,250,000)
Repayment of debt principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	41,809
Interest expense is recognized in the government-wide statements as it accrues	(25,212)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	(241,408)
Change in Net Position of Governmental Activities	<u>\$ 596,036</u>

City of South Lyon, Michigan

Proprietary Fund - Water and Sewer Fund Statement of Net Position

June 30, 2022

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 7,371,357
Receivables - Customer receivables	1,086,063
Prepaid expenses and other assets	72,393

Total current assets 8,529,813

Noncurrent assets:

Restricted assets (Note 1)	1,040,109
Capital assets: (Note 4)	
Assets not subject to depreciation	147,317
Assets subject to depreciation - Net	26,809,771

Total noncurrent assets 27,997,197

Total assets 36,527,010

Deferred Outflows of Resources - Deferred pension and OPEB costs (Notes 9 and 10)

216,929

Liabilities

Current liabilities:

Accounts payable	530,255
Due to other funds (Note 5)	62,730
Accrued liabilities and other	37,608
Compensated absences (Note 6)	34,300
Current portion of long-term debt (Note 6)	1,125,000

Total current liabilities 1,789,893

Noncurrent liabilities:

Compensated absences (Note 6)	34,338
Net pension liability (Note 10)	821,341
Net OPEB liability (Note 9)	73,404
Long-term debt (Note 6)	4,767,379

Total noncurrent liabilities 5,696,462

Total liabilities 7,486,355

Deferred Inflows of Resources - Deferred pension and OPEB cost reductions (Notes 9 and 10)

234,848

Net Position

Net investment in capital assets	21,064,709
Restricted - Debt service	1,040,109
Unrestricted	6,917,918

Total net position \$ 29,022,736

City of South Lyon, Michigan

Proprietary Fund - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2022

Operating Revenue	
Sale of water	\$ 1,356,214
Sewage disposal charges	1,617,552
Refuse collection	569,486
Billing and collection charges	40,197
Other income	3,684
	<hr/>
Total operating revenue	3,587,133
Operating Expenses	
Salaries and wages	732,159
Fringe benefits	306,430
Equipment repair and maintenance	321,557
Public utilities	423,630
Refuse collection	570,353
Professional services	367,965
Insurance	27,285
Other	229,855
Depreciation	1,565,008
	<hr/>
Total operating expenses	4,544,242
	<hr/>
Operating Loss	(957,109)
Nonoperating Revenue (Expense)	
Property tax revenue	1,251,431
Investment income	3,880
Interest expense	(155,778)
	<hr/>
Total nonoperating revenue	1,099,533
	<hr/>
Income - Before capital contributions	142,424
Capital Contributions - Tap-in fees	471,800
	<hr/>
Change in Net Position	614,224
Net Position - Beginning of year	28,408,512
	<hr/>
Net Position - End of year	\$ 29,022,736

City of South Lyon, Michigan

Proprietary Fund - Water and Sewer Fund Statement of Cash Flows

Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from customers	\$ 3,575,890
Payments to suppliers	(1,528,368)
Payments to employees and fringes	(1,097,423)
Other payments	(1,898)
	<hr/>
Net cash and cash equivalents provided by operating activities	948,201
Cash Flows Used in Noncapital Financing Activities - Payments to other funds	(723,960)
Cash Flows from Capital and Related Financing Activities	
Collection of tap-in fees	471,800
Property taxes revenue received	1,251,431
Purchase of capital assets	(1,793,829)
Principal and interest paid on capital debt	(1,262,622)
	<hr/>
Net cash and cash equivalents used in capital and related financing activities	(1,333,220)
Cash Flows Provided by Investing Activities - Interest received on investments	<hr/> 3,880
Net Decrease in Cash and Cash Equivalents	(1,105,099)
Cash and Cash Equivalents - Beginning of year	<hr/> 9,516,565
Cash and Cash Equivalents - End of year	<u><u>\$ 8,411,466</u></u>
Classification of Cash and Cash Equivalents	
Cash and investments	\$ 7,371,357
Restricted cash	1,040,109
	<hr/>
Total cash and cash equivalents	<u><u>\$ 8,411,466</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (957,109)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:	
Depreciation	1,565,008
Changes in assets and liabilities:	
Receivables	(13,141)
Prepaid and other assets	1,867
Accounts payable	393,925
Net pension or OPEB liability	(106,368)
Deferrals related to pension or OPEB	61,016
Accrued and other liabilities	3,003
	<hr/>
Total adjustments	1,905,310
	<hr/>
Net cash and cash equivalents provided by operating activities	<u><u>\$ 948,201</u></u>

Statement of Fiduciary Net Position

June 30, 2022

	Other Postemployment Benefits Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Assets - Interest in pooled investment	\$ 194,765	\$ -	\$ 194,765
Liabilities	-	-	-
Net Position - Restricted for postemployment benefits other than pension	\$ 194,765	\$ -	\$ 194,765

City of South Lyon, Michigan

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2022

	Other Postemployment Benefits Fund	Custodial Fund - Tax Collection Fund	Total Fiduciary Funds
Additions			
Investment loss:			
Net decrease in fair value of investments	\$ (19,896)	\$ -	\$ (19,896)
Investment expenses	(334)	-	(334)
Net investment loss	(20,230)	-	(20,230)
Contributions	94,011	-	94,011
Property tax collections for other taxing authorities	-	11,423,060	11,423,060
Total additions	73,781	11,423,060	11,496,841
Deductions			
Benefit payments	24,011	-	24,011
Property tax disbursements to other taxing authorities	-	11,423,060	11,423,060
Total deductions	24,011	11,423,060	11,447,071
Net Increase in Fiduciary Net Position	49,770	-	49,770
Net Position - Beginning of year	144,995	-	144,995
Net Position - End of year	\$ 194,765	\$ -	\$ 194,765

Note 1 - Significant Accounting Policies

Reporting Entity

The City of South Lyon, Michigan (the "City") is governed by an elected seven-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units

The South Lyon Building Authority (the "Building Authority") is governed by a board appointed by the City's governing body. Although it is legally separate from the City, the Building Authority is reported as if it were part of the primary government because its sole purpose is to acquire and lease property to the City.

Discretely Presented Component Unit

Downtown Development Authority

The Downtown Development Authority (the "DDA") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The DDA's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The DDA does not issue a separate financial report.

Accounting and Reporting Principles

The City of South Lyon, Michigan follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Note 1 - Significant Accounting Policies (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how it spent certain resources; separate funds allow it to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, and capital project funds. The City reports the General Fund and the Major Road Fund as major governmental funds. The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund. The Major Road Fund is a special revenue fund that accounts for the City's construction and maintenance of its major street system. The Major Road Fund is funded primarily through the receipt of State of Michigan motor vehicle fuel taxes.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The City reports only the Water and Sewer Fund as a major enterprise fund. The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for user charges.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate the City's government programs. Activities that are reported as fiduciary include the following:

- The Other Postemployment Benefits Fund accumulates resources for future retiree health care payments to eligible employees.
- The Tax Collection Fund collects and distributes taxes on behalf of various taxing authorities (state, county, school district, and the various smaller authorities).

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Note 1 - Significant Accounting Policies (Continued)

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: some state-shared revenue, some state gas and weight tax revenue, certain grant revenue, and interest associated with the current fiscal period. Conversely, some state-shared revenue and grant revenue will be collected after the period of availability; receivables have been recorded for these amounts, along with a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Restricted assets consist of cash and cash equivalents held for the following:

- Unspent property taxes levied and held in the Water and Sewer Fund required to be set aside for future bond principal and interest payments

Note 1 - Significant Accounting Policies (Continued)

In addition, the City has \$1,250,000 held in an escrow account with a lender that will be used to fund final payment of a ladder truck, once delivered, inspected and accepted by the City.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
	<hr/>
Wastewater treatment plant and equipment	10-40
Water treatment plant and equipment	10-40
Utility system, buildings, and improvements	7-40
Roads and sidewalks	20-25
Other tools, furniture, and equipment	15-40
Tools, furniture, and equipment	5-15
Office furnishings	5-7
Other tools and equipment	3-7

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond issuance costs are expensed at the time they are incurred. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements and proprietary funds report deferred outflows related to the pension and OPEB plans, as detailed in Notes 9 and 10.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The government-wide statements and proprietary funds report deferred inflows related to the pension and OPEB plans, as detailed in Notes 9 and 10. Unavailable revenue qualifies for reporting in this category and arises only under a modified accrual basis of accounting. The General Fund and Community Development Block Grant Fund report unavailable revenue from certain state-shared revenue and grant revenue, respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

Sometimes, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes, the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the city manager to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Water and Sewer Tap-in Fees Policy

Based on a City administrative policy amended May 2022, 80 percent of funds collected for tap-in fees, developer contributions, or any other payment for a share of a capital improvement (e.g., cost-sharing fund, special assessments for water and sanitary sewer improvement, etc.) will be contributed to the water and sanitary sewer capital fund. The water and sanitary sewer capital fund is to be used by both the water and sanitary sewer departments for capital improvements to the systems. If at any time, the water and sanitary sewer capital fund is carrying a balance that exceeds more money than is needed for future planned improvements, the fund balance amounts will be reevaluated and, if necessary, proportionally reallocated to the related operating budgets to be used in accordance with best practices recommended by the City's professional service providers. At June 30, 2022, the water and sanitary sewer capital fund has a balance of \$3,309,849.

Note 1 - Significant Accounting Policies (Continued)

Property Tax Revenue

Properties are levied on July 1 and become an enforceable lien at that time. The tax is based on the taxable valuation of property as of the preceding December 31. Taxes are due on September 30 with the final collection date of February 28. Taxes are considered delinquent on March 1, at which time penalties and interest are assessed.

The City's 2021 property tax revenue was levied and collectible on July 1, 2021 and is recognized as revenue in the year ended June 30, 2022 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2021 taxable valuation of the City totaled \$417 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 12.4938 mills for operating purposes and 3.000 mills for debt service. This resulted in approximately \$5.2 million used for operations and \$1.3 million utilized for debt service. These amounts are recognized in the respective general, capital projects, and enterprise fund financial statements as tax revenue.

Pension

The City offers pension benefits to retirees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The City offers a monthly health care stipend to qualified retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the City of South Lyon Other Postemployment Benefits Plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay and vacation pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations. Generally, the funds that report each employee's compensation (the General Fund, Major Road Fund, Local Road Fund, and Water and Sewer Fund, primarily) are used to liquidate the obligations.

Note 1 - Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system, property taxes, and investment income. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncement

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2025.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds

The City did not have significant expenditure budget variances.

Construction Code Fees

The City oversees building construction in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2021		\$	(1,053,050)
Current year permit revenue			695,755
Related expenses:			
Direct costs	\$	624,522	
Estimated indirect costs		17,396	641,918
		<u> </u>	<u> </u>
Current year surplus			53,837
Cumulative shortfall June 30, 2022		\$	<u><u>(999,213)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the State of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The other postemployment benefits fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the City Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs and such obligations, bonds, and securities permitted by the statutes of the State of Michigan.

The City's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had bank deposits of approximately \$21,960,000 (checking and savings accounts) that were uninsured and uncollateralized. The component unit did not have any bank deposits that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The City does not have any investments within the fair value hierarchy above and only has an investment measured at fair value using net asset value per share (or its equivalent) as a practical expedient.

Investments in Entities that Calculate Net Asset Value per Share

The Other Postemployment Benefits Fund holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

June 30, 2022

Note 3 - Deposits and Investments (Continued)

At the year ended June 30, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS RHFV Total Market Portfolio	\$ 194,765	\$ -	N/A	N/A

The MERS RHFV Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS RHFV Total Market Portfolio.

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities

	Balance July 1, 2021	Additions	Disposals and Reclassifications	Balance June 30, 2022
Capital assets not being depreciated - Land	\$ 3,436,792	\$ -	\$ -	\$ 3,436,792
Capital assets being depreciated:				
Roads and sidewalks	24,123,108	170,278	-	24,293,386
Buildings and improvements	9,668,439	528,233	-	10,196,672
Furniture and equipment	6,441,738	500,061	(42,521)	6,899,278
Subtotal	40,233,285	1,198,572	(42,521)	41,389,336
Accumulated depreciation:				
Roads and sidewalks	17,641,801	908,251	-	18,550,052
Buildings and improvements	5,513,847	300,611	-	5,814,458
Furniture and equipment	5,150,020	366,293	(42,521)	5,473,792
Subtotal	28,305,668	1,575,155	(42,521)	29,838,302
Net governmental activities capital assets being depreciated	11,927,617	(376,583)	-	11,551,034
Net governmental activities capital assets	\$ 15,364,409	\$ (376,583)	\$ -	\$ 14,987,826

June 30, 2022

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2021	Additions	Disposals and Reclassifications	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 147,317	\$ -	\$ -	\$ 147,317
Construction in progress	1,647,418	-	(1,647,418)	-
Subtotal	1,794,735	-	(1,647,418)	147,317
Capital assets being depreciated:				
Wastewater treatment plant and equipment	33,961,241	-	-	33,961,241
Water treatment plant and equipment	3,354,518	1,501,757	1,647,418	6,503,693
Utility systems, building, and improvements	18,994,932	283,208	-	19,278,140
Other tools, furniture, and equipment	1,404,621	8,864	-	1,413,485
Subtotal	57,715,312	1,793,829	1,647,418	61,156,559
Accumulated depreciation - Total water and sewer	32,781,780	1,565,008	-	34,346,788
Net business-type activities capital assets being depreciated	24,933,532	228,821	1,647,418	26,809,771
Net business-type activities capital assets	<u>\$ 26,728,267</u>	<u>\$ 228,821</u>	<u>\$ -</u>	<u>\$ 26,957,088</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 103,633
Public safety	222,319
Public works	1,189,546
Recreation and culture	59,657
Total governmental activities	<u>\$ 1,575,155</u>
Business-type activities - Water and sewer	<u>\$ 1,565,008</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 62,730
	Major Road Fund	11,867
	Nonmajor governmental funds	37,419
	Total	<u>\$ 112,016</u>

June 30, 2022

Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Major Road Fund	Nonmajor governmental funds	\$ 100,000

The transfer relates to a contribution from the Major Road Fund to the Local Road Fund in accordance with Michigan Public Act 51, as amended.

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2022 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements - Installment purchase agreements:					
2017 Street sweeper installment contract	\$ 41,809	\$ -	\$ (41,809)	\$ -	\$ -
2021 Ladder Truck installment contract	-	1,250,000	-	1,250,000	238,809
Compensated absences	360,948	196,298	(123,082)	434,164	217,100
 Total governmental activities long-term debt	<u>\$ 402,757</u>	<u>\$ 1,446,298</u>	<u>\$ (164,891)</u>	<u>\$ 1,684,164</u>	<u>\$ 455,909</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable - Direct borrowings and direct placements:					
General obligations	\$ 5,122,379	\$ -	\$ (975,000)	\$ 4,147,379	\$ 1,000,000
Revenue bonds	1,870,000	-	(125,000)	1,745,000	125,000
 Total direct borrowings and direct placements principal outstanding	6,992,379	-	(1,100,000)	5,892,379	1,125,000
Compensated absences	65,635	43,080	(40,077)	68,638	34,300
 Total business-type activities long-term debt	<u>\$ 7,058,014</u>	<u>\$ 43,080</u>	<u>\$ (1,140,077)</u>	<u>\$ 5,961,017</u>	<u>\$ 1,159,300</u>

June 30, 2022

Note 6 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City. General obligations outstanding at June 30, 2022 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Installment purchase agreement	2021	2.29	2027	\$ 1,250,000
Business-type Activities				
State of Michigan Revolving Fund	2003	2.5	2025	\$ 4,147,379

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Business-type activities utilize revenue bonds to finance the water and sewer system. During fiscal year 2013, the City issued revenue bonds in the amount of \$5,300,000. These bonds are funded by the Drinking Water Revolving Fund, and the City received a loan forgiveness to the extent of \$2,650,000. The City has pledged substantially all revenue generated through the Water and Sewer Fund, net of operating expenses, to repay the water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water and sewer system. The remaining principal and interest to be paid on the bonds is approximately \$2,041,000. During the current year, operating income of the system (excluding depreciation expense) was \$607,899.

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Business-type Activities				
Drinking Water Revolving Fund Program #7314-01	2013	2.5	2034	\$ 1,745,000

Debt Service Requirements to Maturity

Total interest expense for the year related to governmental activities was approximately \$26,000. Total interest incurred related to business-type activities for the year approximated \$156,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Direct Borrowings and Direct Placements			Direct Borrowings and Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 238,809	\$ 28,625	\$ 267,434	\$ 1,125,000	\$ 134,809	\$ 1,259,809
2024	244,278	23,156	267,434	1,155,000	106,372	1,261,372
2025	249,872	17,562	267,434	1,185,000	77,184	1,262,184
2026	255,594	11,840	267,434	1,207,379	47,280	1,254,659
2027	261,447	5,987	267,434	140,000	30,500	170,500
2028-2032	-	-	-	755,000	98,250	853,250
Thereafter	-	-	-	325,000	12,250	337,250
Total	\$ 1,250,000	\$ 87,170	\$ 1,337,170	\$ 5,892,379	\$ 506,645	\$ 6,399,024

Note 7 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for workers' compensation, medical, health, life, and disability claims and participates in the Michigan Municipal Risk Management Authority's state pool for claims relating to general law enforcement, emergency medical, public errors and omissions, and auto liabilities. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program (the "Authority") operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 8 - Joint Ventures

The City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (RRRASOC) and the South Lyon Area Recreation Authority (SLARA). RRRASOC is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, and Wixom, Michigan; the Village of Milford, Michigan; and the Charter Township of Milford. SLARA is incorporated by the City of South Lyon, Michigan and the charter townships of Lyon and Green Oak. The City appoints one member to each of the joint ventures' governing boards, which then approve the annual budgets. The joint ventures receive their operating revenue from member contributions and miscellaneous income.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for RRRASOC can be obtained from RRRASOC's office at 20000 West 8 Mile Road, Southfield, MI 48075 and for SLARA at SLARA's office at 23333 Griswold Road, Suite 100, South Lyon, MI 48178.

During the year, the City contributed \$24,004 to RRRASOC and \$22,444 to SLARA. The City reported equity interest in SLARA of \$331,003 as of June 30, 2022 and the City has no definable interest in RRRASOC.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The City provides retiree health care benefits to eligible employees upon retirement in accordance with established labor contracts. Under terms of the contracts, the City provides a flat monthly stipend up to age 65 to be used to supplement insurance costs incurred for postemployment health care benefits. The benefits are provided through a single-employer plan administered by the South Lyon City Council. The financial statements of the single-employer plan are included in these financial statements as an other postemployment benefits fund (a fiduciary fund).

Management of the plan is the responsibility of the City's pension board, which consists of seven members - three elected by plan members, three appointed by the City, and the city treasurer, who serves as an ex officio member.

Note 9 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

All employees retiring under regular (normal), work-related disability, or workers' compensation retirement are eligible to receive a stipend for health care coverage until age 65. Police regular (normal) retirees are required to have 25 years of service to be eligible for the employer stipend. General retirees have no service requirement. Eligible police retirees from the POAM union receive a stipend of up to \$700 per month for health care premiums. Eligible police retirees from the POLC union receive a stipend of up to \$900 per month for health care premiums. Eligible general retirees receive a stipend of up to \$500 per month for health care insurance premiums. To the extent the stipend exceeds the monthly health care premiums, the remainder may be used to offset spousal health care insurance premiums.

Employees Covered by Benefit Terms

The following members were covered by the contractual benefit terms:

Date of member count	June 30, 2022
Inactive plan members or beneficiaries currently receiving benefits	3
Active plan members	<u>43</u>
Total plan members	<u><u>46</u></u>

Contributions

Retiree health care costs are funded by the City on a pay-as-you-go basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment, except for new employees hired after July 1, 2018. For the fiscal year ended June 30, 2022, the City paid postemployment health care stipends of \$24,011. In addition, the City made contributions of approximately \$70,000 during the year ended June 30, 2022.

Total OPEB Liability

The June 30, 2022 total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2021	\$ 563,268	\$ 144,995	\$ 418,273
Changes for the year:			
Service cost	23,561	-	23,561
Interest	42,265	-	42,265
Differences between expected and actual experience	29,863	-	29,863
Changes in assumptions	10,744	-	10,744
Contributions - Employer	-	94,011	(94,011)
Net investment loss	-	(19,896)	19,896
Benefit payments	(24,011)	(24,011)	-
Administrative expenses	-	(334)	334
Net changes	<u>82,422</u>	<u>49,770</u>	<u>32,652</u>
Balance at June 30, 2022	<u><u>\$ 645,690</u></u>	<u><u>\$ 194,765</u></u>	<u><u>\$ 450,925</u></u>

The plan's fiduciary net position represents 30.2 percent of the total OPEB liability.

Note 9 - Other Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense of \$42,720.

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 113,857	\$ (83,679)
Changes in assumptions	49,558	(161,656)
Net difference between projected and actual earnings on OPEB plan investments	26,354	-
Total	\$ 189,769	\$ (245,335)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30	Amount
2023	\$ (10,223)
2024	(10,223)
2025	(10,223)
2026	(10,178)
2027	(16,800)
Thereafter	2,081
Total	\$ (55,566)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022. The June 30, 2022 actuarial valuation used an inflation assumption of 3.00 percent; a health care cost trend rate of 7.5 percent for 2023, decreasing 0.5 percent per year to an ultimate rate of 4.5 percent for 2029 and later years; and the SOA Pub-2010 total dataset mortality tables using Scale MP-2021. In addition, active employees who currently have no coverage are assumed to elect no coverage at retirement and have been excluded from the GASB valuation. These assumptions were applied to all periods included in the measurement except the mortality assumption in the current year was updated from the MP-2019 mortality improvement scale to the MP-2021 improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.50 %
Global fixed income	2.00
Private investments	7.00

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the City, calculated using the discount rate of 7.35 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.35%)	Current Discount Rate (7.35%)	1 Percentage Point Increase (8.35%)
Net OPEB liability of the plan	\$ 492,180	\$ 450,925	\$ 412,379

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the health care cost trend rate of 7.5 percent, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.5%) Decreasing to 3.5%	Current Health Care Cost Trend Rate (7.5%) Decreasing to 4.5%	1 Percentage Point Increase (8.5%) Decreasing to 5.5%
Net OPEB liability of the plan	\$ 413,391	\$ 450,925	\$ 492,565

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB plan's adopted asset allocation policy as of June 30, 2022:

Asset Class	Target Allocation
Global equity	60.00 %
Global fixed income	20.00
Private investments	20.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was an investment loss of 8.24 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note 10 - Pension Plan

Plan Description

The City of South Lyon, Michigan participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all full-time employees of the City. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers full-time employees at the City, including AFSCME, nonunion, police, patrolmen, police command, and clerical employees. The MERS defined benefit plan is closed to new entrants. New employees are eligible to participate in the MERS defined contribution plus plan.

Retirement benefits are calculated as 2.5 percent of the employee's final five-year average compensation times the employee's years of service, with a maximum of 80 percent of final average compensation. Normal retirement age is 60 with early retirement at an unreduced benefit at age 55 with 25 years of service or a reduced benefit at age 50 with 25 years of service or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service (8 years for nonunion employees) but are not paid until the date retirement would have occurred had the member remained an employee. Employees are eligible for nonduty disability benefits after 10 years of service (8 years for nonunion employees) and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately and, if duty-related, without the application of an actuarial reduction for retirement before age 60. An employee who leaves city service may withdraw his or her contributions, plus any accumulated interest.

Note 10 - Pension Plan (Continued)

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employee benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

At the December 31, 2021 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>30</u>
Total employees covered by the plan	<u><u>70</u></u>

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. MERS hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2022, the average active employee contribution rate was 2.10 percent of annual pay. The City pays a flat amount each month for its required contribution, except for the command division. Monthly payment amounts for the various divisions range from \$2,397 to \$19,597 per month plus an amount for the command division contribution at a rate of 24.52 percent.

Net Pension Liability

The City has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The June 30, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 19,571,657	\$ 13,538,718	\$ 6,032,939
Changes for the year:			
Service cost	245,597	-	245,597
Interest	1,463,631	-	1,463,631
Changes in benefits	435	-	435
Differences between expected and actual experience	(324,917)	-	(324,917)
Changes in assumptions	802,092	-	802,092
Contributions - Employer	-	675,499	(675,499)
Contributions - Employee	-	49,336	(49,336)
Net investment income	-	1,827,109	(1,827,109)
Benefit payments, including refunds	(872,344)	(872,344)	-
Administrative expenses	-	(21,626)	21,626
Net changes	<u>1,314,494</u>	<u>1,657,974</u>	<u>(343,480)</u>
Balance at December 31, 2021	<u><u>\$ 20,886,151</u></u>	<u><u>\$ 15,196,692</u></u>	<u><u>\$ 5,689,459</u></u>

Note 10 - Pension Plan (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2022, the City recognized pension expense of \$901,247. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 80,124	\$ (253,752)
Changes in assumptions	850,553	-
Net difference between projected and actual earnings on pension plan investments	-	(1,096,392)
Employer contributions to the plan subsequent to the measurement date	358,000	-
Total	\$ 1,288,677	\$ (1,350,144)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending June 30	Amount
2023	\$ 345,185
2024	(283,396)
2025	(320,335)
2026	(160,921)
Total	\$ (419,467)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.50 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (gross of investment expenses) of 7.25 percent, and the Pub-2010 mortality tables. The assumptions were applied to all periods included in the measurement except the investment rate of return (gross of investment expenses) was 7.6 percent at the beginning of the measurement period. All assumptions used, except for the investment rate of return, are based on an experience study conducted for the period from 2014-2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 10 - Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2021 measurement date for each major asset class included in the pension plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.25 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension liability of the City	\$ 8,271,423	\$ 5,689,459	\$ 3,518,452

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

The beginning of year total pension liability was based on a discount rate of 7.60 percent, and the end of year total pension liability was based on a discount rate of 7.25 percent.

Note 11 - Tax Abatements

The City uses the industrial facilities tax exemption (PA 198 of 1974) to enter into agreements with local businesses to construct new industrial facilities or rehabilitate historical facilities. Under the program, the City grants reductions of 50 percent of the property tax bill for new property (or it can freeze taxable values for rehabilitation properties) for up to 12 years.

For the fiscal year ended June 30, 2022, the City abated \$9,724 of taxes under this program. There are no provisions to recapture taxes; however, the abatement may be eliminated if taxes are not paid timely.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended June 30, 2022

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,313,210	\$ 5,313,210	\$ 4,912,070	\$ (401,140)
Intergovernmental	1,423,276	1,423,276	1,734,078	310,802
Charges for services	78,000	78,000	89,691	11,691
Fines and forfeitures	15,150	15,150	17,787	2,637
Licenses and permits	462,000	774,836	819,105	44,269
Investment income	15,600	15,600	4,371	(11,229)
Other revenue	226,650	226,650	173,582	(53,068)
Total revenue	7,533,886	7,846,722	7,750,684	(96,038)
Expenditures				
Current services:				
General government	1,531,992	1,910,708	1,880,493	30,215
Public safety:				
Police	2,884,688	2,887,688	2,840,686	47,002
Fire	1,008,331	1,223,403	942,697	280,706
Ambulance	5,680	5,680	556	5,124
Public works:				
Public works	1,025,197	1,025,197	998,789	26,408
Cemetery	95,410	98,460	60,704	37,756
Recreation and culture:				
Parks and recreation	320,493	320,493	279,409	41,084
Cable television production	13,925	13,925	841	13,084
Historical	43,125	43,125	24,955	18,170
Cultural arts	2,975	2,975	988	1,987
Public transportation	87,076	87,076	65,304	21,772
Total expenditures	7,018,892	7,618,730	7,095,422	523,308
Other Financing (Uses) Sources				
Transfers out	(4,000)	(4,000)	-	4,000
New debt issued	-	-	1,250,000	1,250,000
Sale of capital assets	10,000	10,000	-	(10,000)
Total other financing sources	6,000	6,000	1,250,000	1,244,000
Net Change in Fund Balance	520,994	233,992	1,905,262	1,671,270
Fund Balance - Beginning of year	5,347,920	5,347,920	5,347,920	-
Fund Balance - End of year	\$ 5,868,914	\$ 5,581,912	\$ 7,253,182	\$ 1,671,270

City of South Lyon, Michigan

Required Supplemental Information
 Budgetary Comparison Schedule - Major Special Revenue Fund
 Major Road

Year Ended June 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Intergovernmental	\$ 730,893	\$ 730,893	\$ 840,524	\$ 109,631
Investment income	1,000	1,000	402	(598)
Total revenue	731,893	731,893	840,926	109,033
Expenditures - Current services - Community maintenance and development - Public works	406,189	442,794	394,691	48,103
Other Financing Uses - Transfers to other funds	(100,000)	(100,000)	(100,000)	-
Net Change in Fund Balance	225,704	189,099	346,235	157,136
Fund Balance - Beginning of year	3,153,419	3,153,419	3,153,419	-
Fund Balance - End of year	<u><u>\$ 3,379,123</u></u>	<u><u>\$ 3,342,518</u></u>	<u><u>\$ 3,499,654</u></u>	<u><u>\$ 157,136</u></u>

Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Eight Fiscal Years
(Schedule is Built Prospectively upon Implementation of GASB 68)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability								
Service cost	\$ 245,597	\$ 242,132	\$ 238,655	\$ 268,288	\$ 274,113	\$ 283,687	\$ 256,313	\$ 255,907
Interest	1,463,631	1,350,131	1,329,551	1,257,029	1,199,100	1,141,285	1,064,707	1,004,596
Changes in benefit terms	435	719	(851)	(656)	(6,932)	(270)	-	-
Differences between expected and actual experience	(324,917)	240,371	(148,563)	106,840	(117,223)	(113,562)	(104,289)	-
Changes in assumptions	802,092	535,275	549,607	-	-	-	707,441	-
Benefit payments, including refunds	(872,344)	(881,574)	(767,720)	(652,600)	(591,459)	(575,867)	(578,810)	(485,354)
Net Change in Total Pension Liability	1,314,494	1,487,054	1,200,679	978,901	757,599	735,273	1,345,362	775,149
Total Pension Liability - Beginning of year	19,571,657	18,084,603	16,883,924	15,905,023	15,147,424	14,412,151	13,066,789	12,291,640
Total Pension Liability - End of year	\$ 20,886,151	\$ 19,571,657	\$ 18,084,603	\$ 16,883,924	\$ 15,905,023	\$ 15,147,424	\$ 14,412,151	\$ 13,066,789
Plan Fiduciary Net Position								
Contributions - Employer	\$ 675,499	\$ 606,867	\$ 581,677	\$ 559,154	\$ 529,687	\$ 470,446	\$ 420,267	\$ 417,111
Contributions - Employee	49,336	47,257	47,115	45,616	34,784	29,301	27,094	27,802
Net investment income (loss)	1,827,109	1,705,939	1,466,600	(447,680)	1,332,498	1,035,110	(140,969)	562,278
Administrative expenses	(21,626)	(24,293)	(25,284)	(22,001)	(21,070)	(20,433)	(20,522)	(20,698)
Benefit payments, including refunds	(872,344)	(881,574)	(767,720)	(652,600)	(591,459)	(575,867)	(578,810)	(485,354)
Net Change in Plan Fiduciary Net Position	1,657,974	1,454,196	1,302,388	(517,511)	1,284,440	938,557	(292,940)	501,139
Plan Fiduciary Net Position - Beginning of year	13,538,718	12,084,522	10,782,134	11,299,645	10,015,205	9,076,648	9,369,588	8,868,449
Plan Fiduciary Net Position - End of year	\$ 15,196,692	\$ 13,538,718	\$ 12,084,522	\$ 10,782,134	\$ 11,299,645	\$ 10,015,205	\$ 9,076,648	\$ 9,369,588
City's Net Pension Liability - Ending	\$ 5,689,459	\$ 6,032,939	\$ 6,000,081	\$ 6,101,790	\$ 4,605,378	\$ 5,132,219	\$ 5,335,503	\$ 3,697,201
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	72.76 %	69.18 %	66.82 %	63.86 %	71.04 %	66.12 %	62.98 %	71.71 %
Covered Payroll	\$ 2,348,598	\$ 2,365,710	\$ 2,321,141	\$ 2,588,286	\$ 2,643,114	\$ 2,725,500	\$ 2,533,242	\$ 2,528,331
City's Net Pension Liability as a Percentage of Covered Payroll	242.25 %	255.02 %	258.50 %	235.75 %	174.24 %	188.30 %	210.62 %	146.23 %

Required Supplemental Information
Schedule of Pension Contributions

Last Ten Fiscal Years
Years Ended June 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 674,370	\$ 603,057	\$ 577,283	\$ 586,762	\$ 549,604	\$ 501,517	\$ 435,641	\$ 410,024	\$ 405,981	\$ 386,618
Contributions in relation to the actuarially determined contribution	674,370	603,057	577,283	586,762	549,604	501,517	435,641	410,024	405,981	386,618
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,348,598	\$ 2,365,710	\$ 2,321,141	\$ 2,588,286	\$ 2,643,114	\$ 2,725,500	\$ 2,533,242	\$ 2,528,331	\$ 2,472,858	\$ 2,673,263
Contributions as a Percentage of Covered Payroll	28.71 %	25.49 %	24.87 %	22.67 %	20.79 %	18.40 %	17.20 %	16.22 %	16.42 %	14.46 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	19 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent average, including inflation
Investment rate of return - Net of administrative expenses	7.35 percent
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Mortality Tables
Other information	None

City of South Lyon, Michigan

Required Supplemental Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Five Fiscal Years				
	(Schedule is Built Prospectively upon Implementation of GASB 75)				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 23,561	\$ 42,275	\$ 28,071	\$ 23,545	\$ 28,001
Interest	42,265	19,156	19,711	18,637	21,877
Changes in benefit terms	-	37,742	-	-	-
Differences between expected and actual experience	29,863	1,061	84,734	38,510	(167,358)
Changes in assumptions	10,744	(195,900)	42,861	13,697	(9,871)
Benefit payments, including refunds	<u>(24,011)</u>	<u>(37,653)</u>	<u>(24,332)</u>	<u>(13,622)</u>	<u>(9,000)</u>
Net Change in Total OPEB Liability	82,422	(133,319)	151,045	80,767	(136,351)
Total OPEB Liability - Beginning of year	<u>563,268</u>	<u>696,587</u>	<u>545,542</u>	<u>464,775</u>	<u>601,126</u>
Total OPEB Liability - End of year	<u>\$ 645,690</u>	<u>\$ 563,268</u>	<u>\$ 696,587</u>	<u>\$ 545,542</u>	<u>\$ 464,775</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 94,011	\$ 180,650	\$ -	\$ -	\$ -
Net investment (loss) income	(19,896)	2,127	-	-	-
Administrative expenses	(334)	(129)	-	-	-
Benefit payments	<u>(24,011)</u>	<u>(37,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	49,770	144,995	-	-	-
Plan Fiduciary Net Position - Beginning of year	<u>144,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan Fiduciary Net Position - End of year	<u>\$ 194,765</u>	<u>\$ 144,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB Liability - Ending	<u>\$ 450,925</u>	<u>\$ 418,273</u>	<u>\$ 696,587</u>	<u>\$ 545,542</u>	<u>\$ 464,775</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	30.16 %	25.74 %	- %	- %	- %
Covered-employee Payroll	\$ 2,906,807	\$ 2,855,707	\$ 2,633,383	\$ 2,705,916	\$ 2,566,424
Total OPEB Liability as a Percentage of Covered-employee Payroll	15.51 %	14.65 %	26.45 %	20.16 %	18.11 %

City of South Lyon, Michigan

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Two Fiscal Years
Years Ended June 30**

	<u>2022</u>	<u>2021</u>
Annual money-weighted rate of return, net of investment expense	(8.24)%	1.26 %

*GASB Statement No. 74 was implemented in fiscal year 2017, but the City established the OPEB trust in fiscal year 2021. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds.

The annual budget is prepared by the city manager and submitted to the City Council at its meeting nearest the third Monday in April of each year. The budget is adopted by the City Council no later than the second regular City Council meeting in May. Subsequent amendments are approved by the City Council. Amendments may be made by the City Council up until the last day of the fiscal year. The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2022 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund is presented as required supplemental information. Information comparing other special revenue funds activity to the respective budgets can be obtained at city hall.

Pension Information

Changes in Assumptions

June 30, 2020 - The beginning of year total pension liability was based on a single discount rate of 8.00 percent, and the end of year total pension liability was based on a single discount rate of 7.60 percent.

June 30, 2021 - The beginning of year total pension liability was based on the RP-2014 mortality tables, and the end of year total pension liability was based on the Pub-2010 mortality tables.

June 30, 2022 - The beginning of year total pension liability was based on a single discount rate of 7.60 percent, and the end of year total pension liability was based on a single discount rate of 7.25 percent.

OPEB Information

Changes in Assumptions

June 30, 2019 - The beginning of year total OPEB liability was based on a single discount rate of 3.87 percent, and the end of year total OPEB liability was based on a single discount rate of 3.51 percent.

June 30, 2020 - The beginning of year total OPEB liability was based on a single discount rate of 3.51 percent, and the end of year total OPEB liability was based on a single discount rate of 2.66 percent. In addition, the beginning of year total OPEB liability was based on the SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017, and the end of year total OPEB liability was based on a variation of the SOA Pub-2010 Mortality Tables.

June 30, 2021 - The beginning of year total OPEB liability was based on a single discount rate of 2.66 percent, and the end of year total OPEB liability was based on a single discount rate of 7.35 percent.

June 30, 2022 - The beginning of year total OPEB liability was based on the Pub-2010 Mortality tables using Scale MP-2019, and the end of year total OPEB liability was based on the Pub-2010 Mortality tables using Scale MP-2021.

Other Supplemental Information

City of South Lyon, Michigan

	Special Revenue Funds			
	Local Road	Drug Forfeiture	Cemetery Perpetual Care	Community Development Block Grant
Assets				
Cash and investments	\$ 867,996	\$ 68,599	\$ 717,395	\$ -
Receivables - Due from other governmental units	52,576	-	-	25,225
Prepaid expenses and other assets	2,085	-	-	-
Land held for resale	-	-	-	-
Total assets	\$ 922,657	\$ 68,599	\$ 717,395	\$ 25,225
Liabilities				
Accounts payable	\$ 1,455	\$ -	\$ 6,625	\$ -
Due to other governmental units	-	-	-	-
Due to other funds	12,194	-	-	25,225
Accrued liabilities and other	601	-	-	-
Total liabilities	14,250	-	6,625	25,225
Deferred Inflows of Resources - Unavailable revenue	-	-	-	25,225
Fund Balances (Deficit)				
Nonspendable - Prepays	2,085	-	-	-
Restricted:				
Roads	906,322	-	-	-
Police	-	68,599	-	-
Cemetery perpetual care	-	-	710,770	-
Committed:				
Capital improvements	-	-	-	-
Land acquisition	-	-	-	-
Equipment replacement	-	-	-	-
Unassigned	-	-	-	(25,225)
Total fund balances (deficit)	908,407	68,599	710,770	(25,225)
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 922,657	\$ 68,599	\$ 717,395	\$ 25,225

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2022

Capital Project Funds			Total Nonmajor Governmental Funds
Capital Improvement	Equipment Replacement	Land Acquisition	
\$ 2,451,791	\$ 432,320	\$ 79,280	\$ 4,617,381
-	-	-	77,801
-	-	-	2,085
-	-	53,000	53,000
\$ 2,451,791	\$ 432,320	\$ 132,280	\$ 4,750,267
\$ 266,606	\$ -	\$ -	\$ 274,686
318	-	-	318
-	-	-	37,419
-	-	-	601
266,924	-	-	313,024
-	-	-	25,225
-	-	-	2,085
-	-	-	906,322
-	-	-	68,599
-	-	-	710,770
2,184,867	-	-	2,184,867
-	-	132,280	132,280
-	432,320	-	432,320
-	-	-	(25,225)
2,184,867	432,320	132,280	4,412,018
\$ 2,451,791	\$ 432,320	\$ 132,280	\$ 4,750,267

City of South Lyon, Michigan

	Special Revenue Funds			
	Local Road	Drug Forfeiture	Cemetery Perpetual Care	Community Development Block Grant
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal grants	-	-	-	24,787
State sources - Act 51 gas and weight tax	338,464	-	-	-
Charges for services	-	-	-	-
Investment income	95	-	324	-
Other revenue	-	-	56,500	-
Total revenue	338,559	-	56,824	24,787
Expenditures				
Current services:				
Public safety	-	13,291	-	-
Public works:				
Streets	263,524	-	-	-
Stormwater drainage	12,646	-	-	-
Other professional services	-	-	-	-
Cemetery	-	-	49,500	-
Community and economic development	-	-	-	25,460
Capital outlay	-	-	66,269	-
Debt service:				
Principal	-	-	-	-
Interest on long-term debt	-	-	-	-
Total expenditures	276,170	13,291	115,769	25,460
Excess of Revenue Over (Under) Expenditures	62,389	(13,291)	(58,945)	(673)
Other Financing Sources - Transfers in	100,000	-	-	-
Net Change in Fund Balances	162,389	(13,291)	(58,945)	(673)
Fund Balances (Deficit) - Beginning of year	746,018	81,890	769,715	(24,552)
Fund Balances (Deficit) - End of year	\$ 908,407	\$ 68,599	\$ 710,770	\$ (25,225)

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2022

Capital Project Funds			Total Nonmajor Governmental Funds
Capital Improvement	Equipment Replacement	Land Acquisition	
\$ 417,144	\$ -	\$ -	\$ 417,144
-	-	-	24,787
-	-	-	338,464
-	115,825	-	115,825
1,037	127	10	1,593
-	-	650	57,150
418,181	115,952	660	954,963
-	-	-	13,291
-	-	-	263,524
-	-	-	12,646
2,690	-	-	2,690
-	-	-	49,500
-	-	-	25,460
282,436	63,609	-	412,314
-	41,809	-	41,809
-	1,233	-	1,233
285,126	106,651	-	822,467
133,055	9,301	660	132,496
-	-	-	100,000
133,055	9,301	660	232,496
2,051,812	423,019	131,620	4,179,522
\$ 2,184,867	\$ 432,320	\$ 132,280	\$ 4,412,018

City of South Lyon, Michigan

Expenditures	Community Maintenance and Development					
	General	Public Safety			Community Maintenance and Development	
		Government	Police	Fire	Ambulance	Cemetery
Salaries and wages	\$ 435,096	\$ 1,567,403	\$ 393,865	\$ -	\$ 14,165	\$ 254,122
Salaries and wages - Mechanic	-	-	-	-	-	38,632
Reimbursement of mechanic wages	-	-	-	-	-	(38,632)
Fringe benefits	194,810	856,825	54,149	-	12,526	222,596
Uniforms & Cleaning Allowance	-	19,054	22,692	-	-	7,197
Tuition reimbursement	-	2,235	-	-	-	-
Office supplies	5,354	4,246	1,367	-	-	912
Operating expenses	36,590	26,883	23,591	-	15,116	25,201
Ammunition	-	5,412	-	-	-	-
Professional Services	622,062	14,039	-	-	8,535	52,777
Contractual Services	128,973	141,260	41,844	-	1,042	25,035
Auditor	39,054	-	-	-	-	-
Planning Consultant	67,015	-	-	-	-	-
Elections	20,283	-	-	-	-	-
Computers	12,753	8,205	5,192	-	-	3,451
Legal Fees	58,597	29,156	-	-	-	-
Memberships & Dues	13,070	675	5,192	-	-	714
Radio Maintenance	-	96	1,077	-	-	-
Telephone	22,984	16,085	9,389	-	199	7,357
Gas & Oil	-	26,952	8,890	-	2,023	24,058
Transportation & Mileage	597	-	-	-	-	205
Vehicle Maintenance	-	24,581	31,720	-	-	127,019
Community Promotions	50,815	-	1,063	-	-	-
Grant Expenditures	-	-	-	-	-	-
Printing	2,190	-	-	-	-	-
Publishing	9,785	-	-	-	-	-
Insurance & Bonds	51,759	23,437	22,149	75	618	13,944
Utilities	25,021	14,711	10,867	481	531	21,708
Street Light Expenditures	-	-	-	-	-	104,895
Repairs & Maintenance	-	-	2,060	-	989	2,056
Building Maintenance	12,313	10,482	10,101	-	-	6,698
NPDES Phase II Stormwater	-	-	-	-	-	14,997
Equipment Rental	-	-	-	-	4,600	10,200
Hydrant Rental	-	-	(2,500)	-	-	-
Education/Training	3,131	10,142	19,660	-	-	2,026
Witness fees	-	(9)	-	-	-	-
Miscellaneous Expense	1,514	-	-	-	-	-
Contribution-Solid Waste	24,004	-	-	-	-	-
Contribution-Community Schools	49	-	-	-	-	-
Contribution-Community Schools - A/V Equip	42,632	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Beautification	-	-	-	-	-	-
Land Improvements	-	30,091	-	-	-	56,169
Equipment Miscellaneous	42	8,161	246,892	-	360	15,452
Capital Equipment	-	564	33,437	-	-	-
Total expenditures	\$ 1,880,493	\$ 2,840,686	\$ 942,697	\$ 556	\$ 60,704	\$ 998,789

Other Supplemental Information
Schedule of Expenditures – General Fund

June 30, 2022

Recreation and Culture					Total	
Parks and Recreation	Public Transportation	Historical	Cultural Arts	Cable Commission	2022	2021
\$ 88,013	\$ -	\$ 4,104	\$ -	\$ 841	\$ 2,757,609	\$ 2,636,101
-	-	-	-	-	38,632	33,820
-	-	-	-	-	(38,632)	(33,820)
26,580	-	-	-	-	1,367,486	1,327,567
-	-	-	-	-	48,943	43,115
-	-	-	-	-	2,235	621
-	-	-	-	-	11,879	12,765
2,446	-	-	-	-	129,827	101,675
-	-	-	-	-	5,412	5,525
62,627	-	-	-	-	760,040	616,860
-	65,304	4,968	500	-	408,926	418,549
-	-	-	-	-	39,054	30,720
-	-	-	-	-	67,015	54,029
-	-	-	-	-	20,283	40,533
-	-	-	-	-	29,601	39,428
-	-	-	-	-	87,753	89,000
-	-	-	-	-	19,651	18,913
-	-	-	-	-	1,173	2,538
-	-	-	-	-	56,014	45,049
6,647	-	-	-	-	68,570	51,675
-	-	-	-	-	802	468
-	-	-	-	-	183,320	142,437
-	-	-	488	-	52,366	69,195
-	-	-	-	-	-	27,549
-	-	-	-	-	2,190	4,551
-	-	-	-	-	9,785	5,709
906	-	879	-	-	113,767	112,867
604	-	6,891	-	-	80,814	77,624
-	-	-	-	-	104,895	138,614
14,121	-	650	-	-	19,876	23,735
-	-	6,077	-	-	45,671	59,541
-	-	-	-	-	14,997	15,145
11,025	-	-	-	-	25,825	25,625
-	-	-	-	-	(2,500)	2,500
-	-	-	-	-	34,959	27,956
-	-	-	-	-	(9)	9
-	-	-	-	-	1,514	1,665
-	-	-	-	-	24,004	25,466
-	-	-	-	-	49	1,119
-	-	-	-	-	42,632	-
-	-	-	-	-	-	25,559
-	-	-	-	-	-	2,866
-	-	1,386	-	-	87,646	41,881
-	-	-	-	-	270,907	52,135
66,440	-	-	-	-	100,441	156,258
\$ 279,409	\$ 65,304	\$ 24,955	\$ 988	\$ 841	\$ 7,095,422	\$ 6,575,137

Other Supplemental Information
 Schedule of Expenditures by Activity
 Major and Local Roads Funds

June 30, 2022

Major Roads Fund

	Professional Services	Street Construction	Street Routine Maintenance	Traffic Services	Snow Plowing	Drainage and Backsloping	Total
Wages and salaries	\$ -	\$ -	\$ 89,806	\$ 3,248	\$ 23,486	\$ 4,274	\$ 120,814
Fringe benefits	-	-	42,893	1,603	11,625	1,998	58,119
Operating expense	-	-	56	8,744	24,475	1,199	34,474
Professional services	4,940	7,719	-	-	-	-	12,659
Contractual services	-	121,063	-	-	-	-	121,063
Traffic signals	-	-	-	9,983	-	-	9,983
Repairs and maintenance	-	-	15,579	-	-	-	15,579
Equipment charges	-	-	12,000	-	10,000	-	22,000
Total expenditures	\$ 4,940	\$ 128,782	\$ 160,334	\$ 23,578	\$ 69,586	\$ 7,471	\$ 394,691

Local Roads Fund

	Professional Services	Street Construction	Street Routine Maintenance	Traffic Services	Snow Plowing	Drainage and Backsloping	Total
Wages and salaries	\$ -	\$ -	\$ 91,721	\$ 5,381	\$ 24,098	\$ 4,541	\$ 125,741
Fringe benefits	-	-	41,977	2,413	11,074	2,046	57,510
Operating expense	-	-	3,404	4,078	22,033	6,059	35,574
Professional services	4,940	14,081	-	-	-	-	19,021
Repairs and maintenance	-	-	21,324	-	-	-	21,324
Equipment charges	-	-	5,000	-	12,000	-	17,000
Total expenditures	\$ 4,940	\$ 14,081	\$ 163,426	\$ 11,872	\$ 69,205	\$ 12,646	\$ 276,170

Other Supplemental Information
Schedule of Operating Expenses
Proprietary Fund – Water and Sewer Fund

June 30, 2022

	Activity			Activity			Total	
	Water			Sanitary				
	Distribution System	Water Repair	Wastewater System	Sewer Repair	Solid Waste Collection	Water/Sewer Construction	2022	2021
Personnel services:								
Salaries and wages	\$ 247,685	\$ 54,944	\$ 381,393	\$ 48,137	\$ -	\$ -	\$ 732,159	\$ 717,203
Fringe benefits	135,436	16,503	186,131	13,712	-	-	351,782	366,444
Pension and OPEB liability expense (recovery)	(11,338)	(11,338)	(11,338)	(11,338)	-	-	(45,352)	75,220
Total personnel services	371,783	60,109	556,186	50,511	-	-	1,038,589	1,158,867
Equipment repairs and maintenance:								
Equipment maintenance	29,899	37,348	5,594	32,751	-	-	105,592	88,267
Building maintenance	134,281	-	63,345	-	-	-	197,626	207,582
Total equipment repairs and maintenance	164,180	37,348	68,939	32,751	-	-	303,218	295,849
Public utilities:								
Electric and gas	18,479	-	298,399	-	-	-	316,878	327,949
Telephone	1,815	-	3,066	-	-	-	4,881	6,660
Total public utilities	20,294	-	301,465	-	-	-	321,759	334,609
Refuse collection	-	-	-	-	570,353	-	570,353	599,734
Depreciation	782,504	-	782,504	-	-	-	1,565,008	1,543,079
Other services and charges - Professional services	234,203	4,545	141,748	4,545	-	(3,160)	381,881	105,542
Insurance	120,350	-	13,420	-	-	-	133,770	27,073
Other	98,696	4,472	124,096	2,400	-	-	229,664	246,218
Total operating expenses	\$ 1,792,010	\$ 106,474	\$ 1,988,358	\$ 90,207	\$ 570,353	\$ (3,160)	\$ 4,544,242	\$ 4,310,971

Statistical Section

City of South Lyon, Michigan

Schedule of Taxes Levied, Collected, and Returned Delinquent – 2021 Roll

June 30, 2022

	<u>Final Levy</u>	<u>Taxes Collected</u>	<u>Returned Delinquent</u>	<u>Percent Collected</u>
Taxable Value: \$417,098,640				
City of South Lyon	\$ 6,454,265	\$ 6,373,972	\$ 80,293	98.76
Specials	10,828	9,150	1,678	84.50
Downtown Development Authority	50,181	49,219	962	98.08
Administration fee	107,354	105,998	1,356	98.74
Oakland Community College	624,246	617,556	6,690	98.93
South Lyon Community Schools	4,255,265	4,194,040	61,225	98.56
State education	2,496,363	2,470,293	26,070	98.96
Zoo Authority	39,856	38,795	1,061	97.34
County Drains	14,891	14,450	441	97.04
Art Institute	79,104	76,999	2,105	97.34
Oakland County Parks & Recreation	143,848	140,044	3,804	97.36
Huron Clinton Metro Park	86,591	84,302	2,289	97.36
Intermediate School District	1,335,176	1,320,809	14,367	98.92
Library	633,680	626,915	6,765	98.93
Oakland County	1,663,859	1,646,028	17,831	98.93
Total	<u>\$ 17,995,507</u>	<u>\$ 17,768,570</u>	<u>\$ 226,938</u>	98.74

Continuing Disclosure Undertaking

June 30, 2022

A. Taxable Value – Fiscal Year 2021-2022 - \$417,098,640

B. Taxable Value by Use and Class – Fiscal Year 2021-2022

Use	Taxable Value	Percent of Taxable Value	SEV	Percent of SEV
Commercial	\$ 36,145,260	8.67	\$ 44,861,780	8.19
Industrial	12,090,060	2.90	13,088,570	2.39
Residential	365,283,450	87.58	486,694,740	88.78
Comm PP	3,579,870	0.86	3,579,870	0.65
Total	\$ 417,098,640	100.00	\$ 548,224,960	100.00

Class	Taxable Value	Percent of Taxable Value	SEV	Percent of SEV
Real property	\$ 410,489,500	98.42	\$ 541,615,820	98.79
Personal property	6,609,140	1.58	6,609,140	1.21
Total	\$ 417,098,640	100.00	\$ 548,224,960	100.00

C & D. Property Tax Rates by Governmental Unit - Fiscal Year 2021-2022

City of South Lyon	Rate	City of South Lyon	Rate
General operation	12.4938	Huron Clinton Authority	0.2089
Debt Service- Sewer G.O.	3.0000	Oakland County	4.0132
		Intermediate schools	3.2012
		Oakland Community College	1.5057
		Zoo Authority	0.0956
		Oakland County P&R	0.3470
		South Lyon Community Schools	18.0000
		Art Institute	0.1897
		State education	6.0000
		South Lyon school debt	7.0000
Total City of South Lyon	15.4938	Total governmental units	57.5836
District library	1.0586		
Library voted	0.4699		

Continuing Disclosure Undertaking (Continued)

June 30, 2022

E. Property Tax Collections – Fiscal Year 2021-2022 (as of 3/1/2022) – 98.74%

F. Ten Largest Taxpayers – Fiscal Year 2021-2022

Taxpayer	Principal Product or Service	Taxable Value
Colonial Acres Phase 5	Co-op	\$ 17,109,200
Colonial Acres Dev Co	Co-op	7,438,770
Brookdale Assn Ltd Partner	Apartments	4,432,570
DTE	Industrial	4,001,770
Roco Brookwood Farms, LLC	Apartments	3,157,950
Consumers Energy Co	Industrial	2,288,660
Loop Waters Edge LLC & Waters Edg	Apartments	1,947,780
Roco Brookwood Farms, LLC	Apartments	1,550,990
Showerman	Commercial	1,455,160
Beztek co	Commercial	1,445,070
Total		<u><u>\$ 44,827,920</u></u>

G. Distributable Aid – State-Shared Revenue – Fiscal Year 2021-2022 - \$1,304,537

H. Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2022:

Debt limit (1)		\$ 54,823,000
Debt outstanding	\$ 7,142,379	
Less exempt debt	<u>4,147,379</u>	<u>2,995,000</u>
Legal debt margin		<u><u>\$ 51,828,000</u></u>

(1) 10 percent of \$548,224,960, which is the City’s SEV for the fiscal year ended June 30, 2022. See “Property Valuations” herein.

Source: Municipal Advisory Council of Michigan and the City of South Lyon

Continuing Disclosure Undertaking (Continued)

June 30, 2022

Debt Statement

The following table reflects a breakdown of the City's direct debt as of June 30, 2022.

To the extent necessary, the City may levy taxes on all taxable property within its boundaries without limitation as to rate or amount to pay the principal of and interest due on the bonds in the following table, which are designated as "UT."

City Direct Debt	Gross	Self-supporting	Net
State Revolving Fund Loan:			
Dated March 27, 2003 (UT)	\$ 4,147,379	\$ 4,147,379	\$ -
Installment Purchase Obligations:			
2021 Ladder Truck	1,250,000	-	1,250,000
Revenue Bonds - 2012 Drinking Water Revolving Fund			
	<u>1,745,000</u>	<u>-</u>	<u>1,745,000</u>
Total	<u>\$ 7,142,379</u>	<u>\$ 4,147,379</u>	<u>\$ 2,995,000</u>

Per capita net City direct debt (1)	\$ 254.98
Percent of net direct debt to SEV (2)	0.55%

(1) Based on the City's 2020 census population of 11,746

(2) Based on \$548,224,960, which is the City's SEV for the fiscal year ended June 30, 2022. See "Property Valuations" herein.

City of South Lyon, Michigan

Continuing Disclosure Undertaking (Continued)

June 30, 2022

Overlapping Debt (3)	Gross	City's Share as Percent of Gross	Net
South Lyon Schools	\$ 148,095,000	15.19%	\$ 22,495,631
Oakland County	220,654,700	0.64%	1,412,190
Oakland Intermediate School District	41,070,000	0.64%	262,848
Total	<u>\$ 409,819,700</u>		<u>\$ 24,170,669</u>

Per capita net overlapping debt (1) (3) \$ 2,057.78
 Percent of net overlapping debt to SEV (2) 4.41%

Per capita net direct and overlapping debt (1) \$ 2,313.18
 Percent of net direct and overlapping debt to SEV (2) 4.96%

(1) Based on the City's 2020 Census population of 11,746

(2) Based on \$548,224,960, which is the City's SEV for the fiscal year ended June 30, 2022. See "Property Valuations" herein.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City